

What is claimed is:

1. A computer implemented method of providing insurance for costs resulting from an audit by a taxing authority, comprising the steps of:

accessing data relating to tax audit costs assessed by the taxing authority correlated to one or more parameters of taxpayers;

calculating average tax audit costs for one or more groups of taxpayers using the data related to the tax audit costs wherein each group is uniquely identified by at least one of the parameter for a taxpayer; and

determining a premium rate to be charged for each group of taxpayers based on the calculated average tax audit costs.

2. The computer implemented method according to claim 1, wherein data relating to tax audit costs is obtained from information published by the taxing authority.

3. The computer implemented method according to claim 1, wherein data relating to tax audit costs is stored in a database.

4. The computer implemented method according to claim 2, wherein the data relating to tax audit costs is accessed from a third party source.

5. The computer implemented method according to claim 1, further comprising:

calculating average representation costs for defending a tax audit for taxpayers in each group; and

adjusting the premium rates based on the calculated average representation costs.

6. The computer implemented method according to claim 1, wherein the step of determining the premium rate includes accessing a claims database storing information regarding prior claims.

7. The computer implemented method according to claim 1, wherein the parameters include one or more of a filing status of taxpayer, total income of taxpayer, type of tax return filed by taxpayer, and types of deductions claimed by taxpayer.

8. The computer implemented method according to claim 1, wherein the tax audit costs include additional assessed taxes, interest on the additional assessed taxes, and penalties.

9. The computer implemented method according to claim 1, wherein the premium rates are adjusted based on data in a claims database storing information regarding prior claims.

10. The computer implemented method according to claim 1, further comprising the step of displaying, in a menu for a financial or tax services program, an option to initiate the steps of claim 1.

11. The computer implemented invention according to claim 10, wherein said parameters include one or more of a taxpayer location, taxpayer income, and type of tax return.

12. The computer implemented invention according to claim 11, wherein one or more of said parameters is obtained by accessing data acquired by the financial or tax services program.

13. A computer implemented method of interactively calculating and displaying risk and premium data for costs associated with a tax audit by a taxing authority, the method comprising the steps of:

accessing tax audit statistics provided by the taxing authority;

correlating tax audit costs to one or more parameters of taxpayers;

calculating the average tax audit costs for groups of taxpayers wherein the groups of taxpayers are uniquely identified by values of the parameters; and

receiving parameter values entered interactively by a taxpayer;

determining a particular group for the taxpayer from said groups based on the parameter values entered by the taxpayer; and

displaying the average tax audit costs corresponding to that particular group based on the parameter values received from the taxpayer.

14. A computer readable data storage medium having program code recorded thereon for providing insurance for costs assessed from a tax audit by a taxing authority, the program code comprising:

a first program code that accesses data relating to tax audit costs assessed by the taxing authority correlated to one or more parameters of taxpayers;

a second program code that calculates average tax audit costs for one or more groups of taxpayers using the data related to the tax audit costs, wherein each group is uniquely identified by parameter values for a taxpayer; and

a third program code that determines a premium rate to be charged for each group of taxpayers based on the calculated average tax audit costs.

15. A system for providing insurance for the costs associated with a tax audit by a taxing authority, the system comprising:

means for accessing data relating to tax audit costs assessed by the taxing authority correlated to one or more parameters of taxpayers;

means for calculating average tax audit costs for one or more groups of taxpayers using the data related to the tax audit costs, wherein each group is uniquely identified by parameter values for a taxpayer; and

means for determining a premium rate to be charged for each group of taxpayers based on the calculated average tax audit costs.

16. A method of distributing a tax insurance product by association with a tax preparation product, comprising the steps of;

providing an option displayed by the tax preparation product to purchase the tax insurance product;

invoking the tax insurance product application to access taxpayer related information stored by the tax preparation product; and

calculating tax insurance parameters based on the accessed taxpayer related

information.

17. The method according to claim 16, further comprising:

reviewing information entered interactively by a taxpayer and determining if the information represents a higher risk of triggering a tax audit than a predetermined risk value; and

displaying an option interactively to the taxpayer, prior to the calculation of a final tax by the tax preparation product, to purchase tax insurance if it is determined that the information entered by the taxpayer represents a higher risk of triggering an audit.

18. The method according to claim 16, wherein a rate for insurance coverage resulting from any errors from use of the tax preparation product, including a user error by the taxpayer, is added to the rate for the tax insurance product to obtain a composite rate.

19. The method according to claim 18, wherein the coverage for the tax preparation product is calculated, in part, using proprietary error data based on the use of its product obtained from a provider of the tax preparation product.

20. A computer implemented method of providing a tax insurance product as an association benefit, comprising the steps of;

issuing a master group tax insurance policy in a state for benefit of members of an association;

issuing membership notifications to the members indicating reimbursement limit for costs and assessments related to a tax authority audit provided from the master group tax insurance policy,

wherein a premium component per member is calculated and provided to the issuer of the master group tax insurance policy.

21. The method according to claims 20, further comprising:

calculating and offering an additional customized tax insurance premium rate

to the member based on the information provided by the member.

22. The method according to claim 20, further comprising:  
collecting, by a third party administration entity, of association membership dues from the members of the association; and  
aggregating the premium components per member from the collection and paying the aggregated premium components to the issuer of the master group tax insurance policy.

23. The method according to claim 16, further comprising the steps of:  
calculating risk associated with a taxpayer based on accessed taxpayer related information; and  
offering or declining to offer the tax insurance product to the taxpayer based on whether the calculated risk associated with the taxpayer exceeds a predetermined risk value.

24. The method according to claim 20, wherein the premium component per member is calculated by:  
determining member values for taxpayer information and filing characteristics to determine member distribution within groups determined based on taxpayer and filing characteristics;  
calculating a risk value associated with the groups determined based on the taxpayer information and filing characteristics; and  
determining a composite value for the premium component as a function of the risk associated with the groups weighted by the respective number of members within the groups.

25. A computer implemented method of providing tax preparation and tax audit protection services by an employer, comprising the steps of:  
at an employer sponsored computer:  
accessing payroll related information for an employee;  
receiving additional tax related input data for the employee;  
preparing a provisional tax return for the employee using the payroll related

information and the additional tax related input data; and  
receiving either a confirmation or an adjustment from the employee accessing the provisional tax return; and  
automatically generating the final tax return for the employee after receiving the confirmation or processing the adjustment from the employee.

26. The computer implemented method according to claim 25, further comprising the steps of:

calculating and displaying a tax audit risk measure to the employee; and  
providing tax audit insurance options for selection by the employee.